

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

**Hearing on the Department of the
Treasury's Terrorism Risk Insurance Report**

July 13, 2005

Good afternoon, Mr. Secretary, and welcome back to the Committee. We look forward to hearing your testimony today on the Treasury Department's recent report on the Terrorism Risk Insurance Act, or TRIA.

This nation suffered a series of brutal terrorist attacks on the morning of September 11, 2001. The massive destruction wrought by the enemies of America, including the total incineration of the World Trade Center, caused tens of billions of dollars in damages. No one knew how our economy would react in the immediate aftermath of these attacks.

The uncertainty that was felt in the wake of that tragic day greatly impacted consumers in the insurance marketplace. Insurers paid out record claims - in excess of \$35 billion dollars - but industry surpluses were drained, reinsurers withdrew, consumers couldn't get new policies with terrorism coverage, and construction projects with real jobs were being put on hold.

President Bush immediately called on the Congress to pass terrorism insurance legislation to protect consumers and our economy. This Committee rose to the challenge and within three months of 9-11 we developed and passed in the House the initial version of TRIA that eventually became law. TRIA established a public-private partnership with a temporary backstop to protect against future catastrophic terrorist attacks through December 31, 2005.

In reviewing the Treasury's report on TRIA, it is clear that the U.S. economy has recovered quite well from the attacks of 2001. However, TRIA has not encouraged private insurance to return to the U.S. market. In fact, TRIA may be hindering the development of innovative private sector approaches to providing terrorism insurance. TRIA was constructed as a temporary program, and a simple extension of the current program could actually be detrimental to the nation's long-term economic health.

I agree with the Treasury's assessment that we need a new, revamped terrorism program. We need a terrorism program that will encourage the growth of private sector capacity, provide for greater tax payer protection, and reduce the role of the Federal subsidy over time.

This Committee has spent the last three years studying terrorism insurance and the need for an effective long-term solution. We have held hearings and roundtables, ordered numerous GAO reports, reviewed countless studies and met with key marketplace regulators, consumer groups, and industry representatives. We know what needs to be done and have a good idea how to do it. My hope is that we can overcome partisan rhetoric to do this in a manner that is pro-consumer, pro-taxpayer, and pro-national security.

I look forward to hearing the Secretary's analysis of the Treasury report, and on working together on a revamped terrorism insurance program that will meet the goals in the Administration's letter.